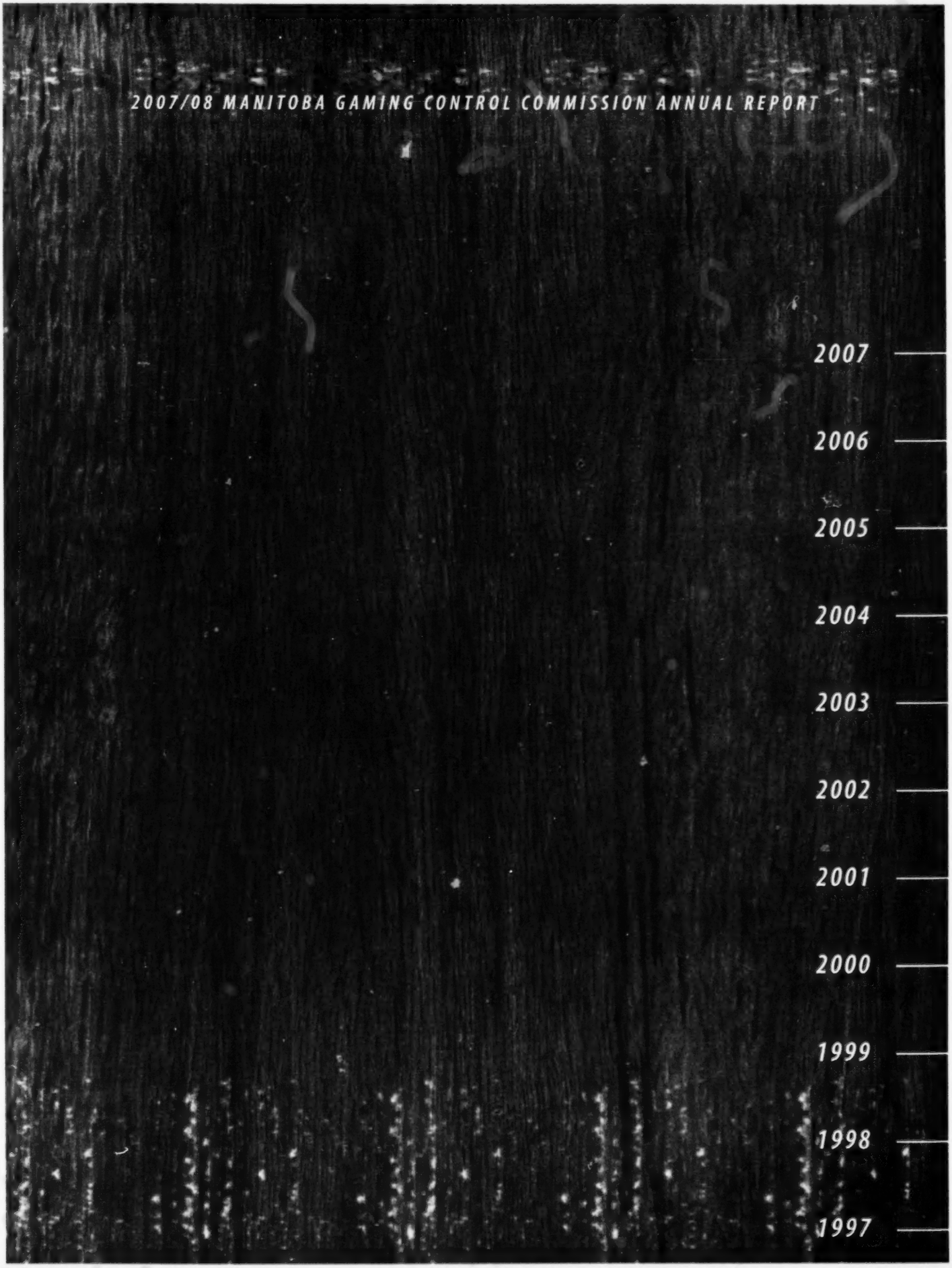

2007
2006
2005
2004
2003
2002
2001
2000
1999
1998
1997

September 30, 2008

Honourable David Chomiak
Minister charged with the administration of The Gaming Control Act
104 Legislative Building
450 Broadway
Winnipeg MB R3C 0V8

Dear Minister Chomiak:

I am honoured to present you with the annual report of the Manitoba Gaming Control Commission for the fiscal year ended March 31, 2008.

Respectfully,

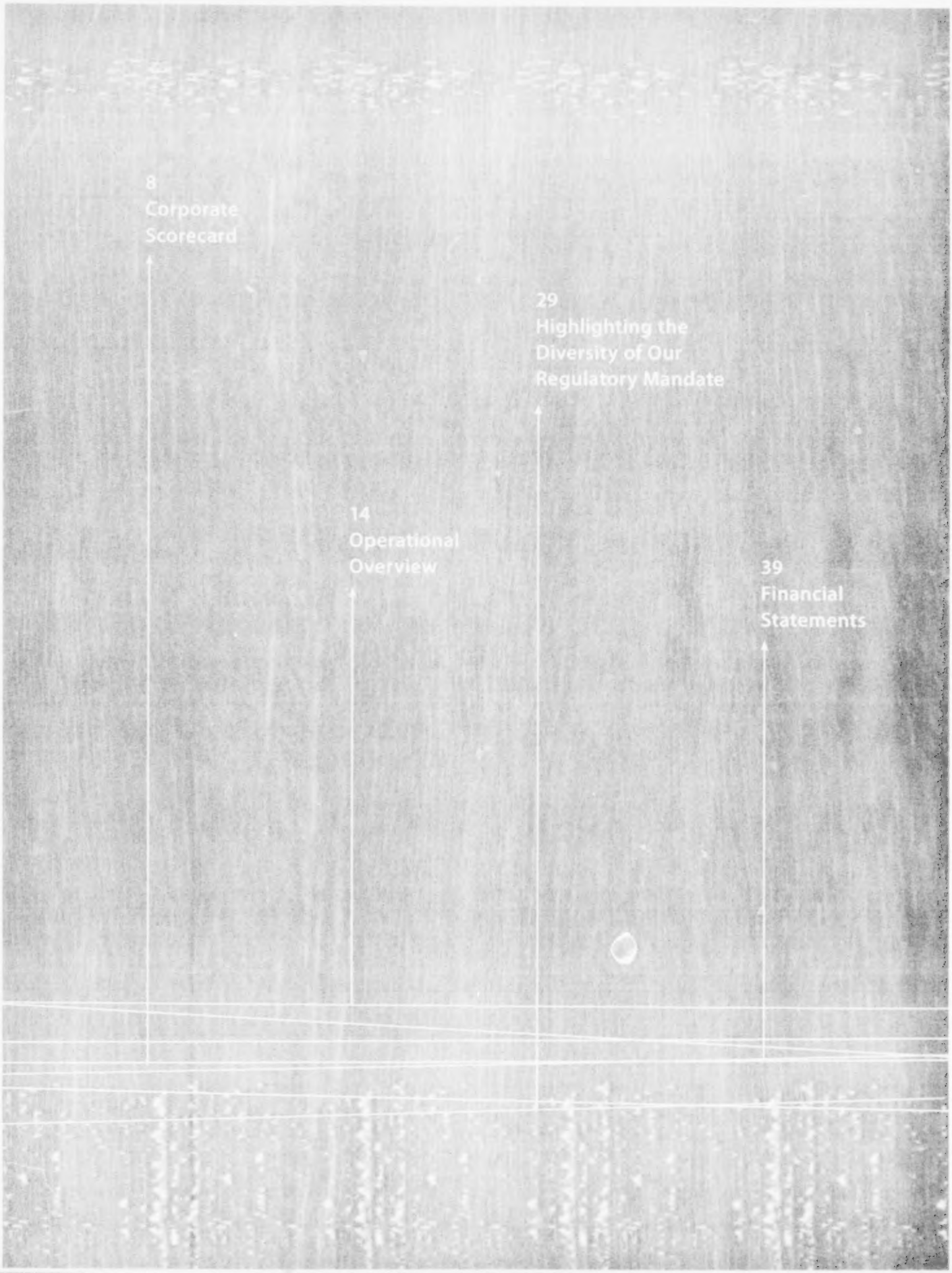
Darlene Dziewit
Chairperson

CONTENTS

4
Message from the Chairperson

5
Remarks from the Executive Director

6
About the Manitoba Gaming Control Commission


8
Corporate
Scorecard
14
Operational
Overview
29
Highlighting the
Diversity of Our
Regulatory Mandate
39
Financial
Statements

MESSAGE FROM THE CHAIRPERSON

In 2007/08, the Manitoba Gaming Control Commission (MGCC) marked ten years of service to Manitobans. During this decade, it progressed from its beginning as a recommendation of the Lottery Policy Review Report (1995), through its creation via enabling legislation and regulation and the development of a full slate of regulatory measures and protections, to become a national and international leader in the regulation of gambling.

Throughout this period, the MGCC has been guided and driven by its legislated mandate to ensure that gaming activities in Manitoba are conducted honestly, with integrity and in the public interest. As its Board of Commissioners, we have sought to seek balance in governing a regulatory body for an industry that is just as often the subject of public concern and controversy as it is a source of economic opportunity and community benefit.

Directed by the mandate set by The Gaming Control Act, the MGCC's Board has conducted hearings, public meetings and stakeholder discussions to assure due diligence in meeting the MGCC's obligations and authority. Through formal committee-driven initiatives, we have paid particular attention to charitable gaming, legislation, financial accountability and research and public education. We have worked collaboratively with management and staff to enhance regulatory control and client services through operational restructuring, the development of the technology-driven Gaming Management System and the implementation of strategic management initiatives.

Reflecting on our years of service, it is particularly gratifying to acknowledge the proclamation of amendments to The Gaming Control Act in 2005 and the multi-year review and revision to the terms and conditions governing charitable gaming fundraising events. The MGCC's significant role in supporting First Nation's economic development interests through regulatory, policy advisory and administrative services is another key achievement.

A review of this year's report reveals that the MGCC has continued to fulfill its traditional regulatory roles of licensing, registration and inspections, while meeting its less conventional research, public education and public interest mandates. As a nod to the breadth of our regulatory responsibilities, this report's special section highlights four distinct matters that fall under our purview: responsible gambling education; investigations into suspected illegal gambling; research on matters of public interest; and new and emerging gaming technologies. As well, the reader will note that the MGCC has once again received an unqualified audit opinion from the Office of the Auditor General of Manitoba.

In marking this 10th anniversary, I would be remiss not to acknowledge the expertise and commitment of our management and staff. Many of these people have been with the MGCC since the day it opened and the organization's achievements are a testament to their dedication. I thank them for their work on behalf of the Board and in service to Manitobans.

Looking forward, our Board is preparing the MGCC to embark on a new strategic path with the development of a plan to guide the organization through to 2013. Work on this initiative began in late 2007/08 and it seems fitting that we begin the new fiscal year with a focus on the current regulatory environment, future challenges, and our values and priorities. Manitobans may be assured that we will bring to these deliberations the same independence, balance and fairness that we apply to our other responsibilities in leading the regulation of gaming in our province.

Darlene Dziewit
Chairperson

REMARKS FROM THE EXECUTIVE DIRECTOR

As is common with many organizations, the management and staff of the Manitoba Gaming Control Commission (MGCC) tend to focus on the immediate priorities and issues on our desks – reviewing licence applications, approving industry employees, inspecting VLT sites and casinos, and responding to public inquiries. Once a year we take a look back at our work to assess and formally report on our accomplishments and the fulfillment of our mandate under The Gaming Control Act. The results for 2007/08 are detailed in the narrative and financial sections of this report.

As many of us find when marking significant dates, our 10th anniversary of service in October 2007 gave me pause to consider the myriad details and tasks that combine to assure the public's confidence in gaming in Manitoba. Interestingly, the big picture of our day-to-day activities since MGCC's inception reveals the following:

* Manitoba charities conducted nearly 14,000 single and series events, with sales of $1.1 billion and prizes of over $823 million.

* Over 33,300 criminal records checks were conducted to confirm the integrity of potential and current gaming industry employees, suppliers and operators.

* MGCC auditors performed approximately 48,000 audit reviews to ensure financial accountability for charitable events and to confirm the allocation of revenue for community benefit.

* Nearly 1,500 approvals were granted to confirm the integrity of gaming events and equipment including playing cards, poker chips, slot machines and VLTs, roulette wheels, bingo paper and Texas Hold'em poker tournaments.

* Inspectors conducted almost 6,400 inspections and investigations to confirm compliance with the Criminal Code (Canada), The Gaming Control Act, registration and licence terms and conditions, and authorizing and enabling agreements.

To achieve these results, MGCC employees worked with volunteers, First Nations groups and communities, business owners, government officials, members of the public, police and justice officials, researchers, industry suppliers, regulators in other jurisdictions, operators and gaming experts. Regardless of the diversity of our client groups and their interests, we strive to respond to and meet their needs in a fair, balanced and reasoned manner.

As the MGCC moves into its next decade, we anticipate the challenges of new and emerging technologies, shifting demographics, public education, responsible gambling and the need for knowledge transfer from one generation of our employees to the next. Despite these external forces and issues, the public's expectation that gaming be based on the tenets of honesty, integrity and public interest will not change. Manitobans may be assured that our commitment to meet that expectation will also remain constant.

F.J.O. (Rick) Josephson
Executive Director

ABOUT THE MANITOBA GAMING CONTROL COMMISSION

VISION

To be a recognized leader in the regulation and control of gaming activity by: continuously seeking opportunities to anticipate and respond to the evolving needs of those we serve; championing fair, balanced and responsible gaming policy; and inspiring public confidence in the integrity of gaming in Manitoba.

MISSION

To fulfill our vision by ensuring that gaming activity is conducted honestly, with integrity and in the public interest. We will achieve this by strengthening our knowledge base, implementing best practices, building strong communication channels, and using a balanced approach to deliver services and policy advice to effectively and responsively regulate and control gaming activities in our province for the benefit of all Manitobans.

AUTHORITY AND RESPONSIBILITIES

The Manitoba Gaming Control Commission (MGCC) derives its authority and responsibilities from The Gaming Control Act and Regulation, as permitted by the Criminal Code (Canada). Under this legislation, each province establishes its own regulatory and operating regimes within the prohibitions and permissions defined by Sections 206 and 207 of the Criminal Code (Canada) and within the context and scope of the gaming environment. In Manitoba, the MGCC is the primary gambling regulatory body responsible for a range of traditional oversight responsibilities for charitable, Video Lottery Terminal (VLT) and casino gaming, and for less traditional responsibilities including social policy research and public education. With the aims of ensuring that gaming activities are conducted honestly, with integrity and in the public interest, the MGCC:

- licenses charitable gaming activities, including bingo, breakopen tickets, raffles, sports draft lotteries and Texas Hold'em poker tournaments
- registers First Nations casino operators, Manitoba Lotteries Corporation (MLC) and First Nations employees, gaming suppliers, gaming equipment and VLT siteholders
- investigates and makes orders related to gaming patron disputes
- inspects and audits gaming activities
- ensures all gaming has technical integrity
- monitors and enforces compliance with gaming-related legislation
- conducts independent and joint research projects
- performs responsible gaming education and policy oversight functions
- provides policy advice to the Minister charged with the administration of The Gaming Control Act (the Minister)

The MGCC is guided by a Board of Commissioners that reports to the Minister. Operational activities are carried out by 52 employees, led by an executive director.

FINANCES AND RESOURCES

The MGCC is self-funding, obtaining its operating revenue from licence and registration fees established via regulation. The MGCC does not receive any revenue from the Provincial Consolidated Revenue Fund. The Gaming Control Act permits the MGCC to establish its own bank account and operating line of credit. The annual business plan, which details operational objectives and budget estimates, is approved by the Board of Commissioners, reviewed by the Minister and approved by the Minister of Finance. The complete financial statements for the year ended March 31, 2008, are presented in this report, beginning on page 39.

APPEALS AND DISPUTES

The Gaming Control Act directs the Board of Commissioners to conduct hearings and make rulings on appeals of the Executive Director's decisions and orders. In this quasi-judicial role, a quorum of commissioners considers all evidence presented by both parties before making a ruling. The MGCC's hearings are open to the public,

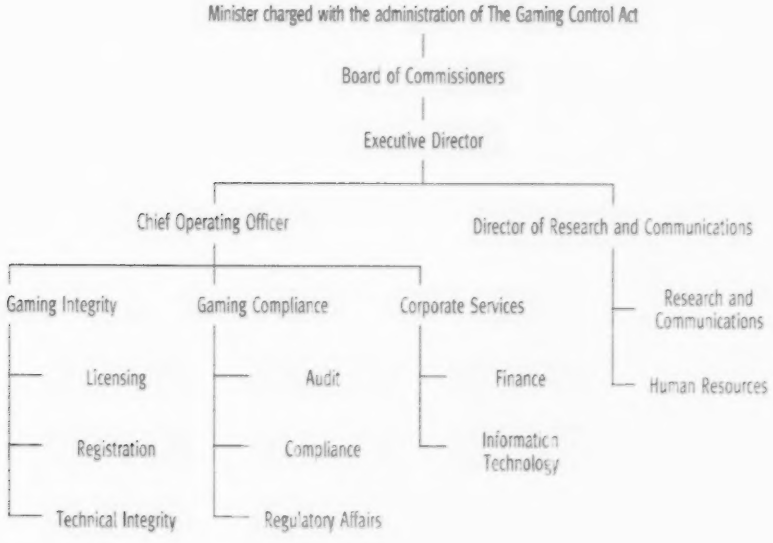
although a hearing, or portions of a hearing, may be closed in instances where financial, private or proprietary information is being presented. Decisions are publicly available. Appeals of the Board of Commissioners' decisions may be made to the Court of Queen's Bench under Section 45(2) of The Gaming Control Act. Two hearings were requested in 2007/08: one hearing took place with the decision pending legal proceedings; the second hearing did not take place, as the appellant withdrew their request. One hearing requested in 2006/07 was still pending in 2007/08.

INTERAGENCY COOPERATION

Liaising with external organizations permits the MGCC to benefit from others' experience and to share its own expertise. The MGCC frequently cooperates with numerous agencies worldwide to share information and undertake initiatives related to gaming regulation. These organizations include:

- Aboriginal Finance Officers Association
- Addictions Foundation of Manitoba
- Alberta Gaming Research Institute
- Assembly of Manitoba Chiefs
- Canadian Centre on Substance Abuse
- Canadian Gaming Regulators Association and member jurisdictions/agencies
- Canadian Partnership for Responsible Gambling
- City of Winnipeg Licensing Department
- Council on Licensure, Enforcement and Regulation
- Criminal Intelligence Service (Canada and Manitoba)
- Eastern Cape Gambling and Betting Board (South Africa)
- Greater Winnipeg Community Centres Council
- International Association of Gaming Regulators
- Manitoba Association of Chiefs of Police
- Manitoba Association of Municipalities
- Manitoba Council of Administrative Tribunals
- Manitoba Health and Healthy Living
- Manitoba Hotel Association
- Manitoba Justice
- Manitoba Liquor Control Commission
- Manitoba Lotteries Corporation
- Manitoba Protective Officers Association
- Manitoba Restaurant and Food Services Association
- Midwest Gaming Investigators and Regulators
- North American Gaming Regulators Association and member jurisdictions/agencies
- Ontario Problem Gambling Research Centre
- Responsible Gambling Council (Ontario)
- Royal Canadian Mounted Police
- Western Canada Lottery Corporation
- Winnipeg Police Service and municipal policing authorities

ORGANIZATIONAL STRUCTURE



CAGRA ANNUAL CONFERENCE

In September 2007, the MGCC had the pleasure of hosting the 2007 Canadian Gaming Regulators Association (CAGRA) annual conference. The conference brought more than 50 representatives from all ten provinces, three territories and the federal government to Winnipeg to discuss issues regarding gaming regulation, responsible gambling, new technology and trends in gaming activity.

CAGRA is an informal association of licensing administrators, investigators and auditors from across Canada who work in the field of gaming regulation. The annual conference presents an opportunity for participants to share expertise and learn about gaming policy, issues and priorities in other jurisdictions. Provincial and territorial regulatory agencies take turns hosting the conference; the MGCC last hosted the CAGRA conference in 1999.

CORPORATE SCORECARD: REPORTING RESULTS FOR 2007/08

THE CORPORATE SCORECARD PRESENTS THE MANITOBA GAMING CONTROL COMMISSION'S (MGCC) OVERALL ACCOMPLISHMENTS FOR THE 2007/08 FISCAL YEAR BY ASSESSING OUR GOALS, STRATEGIES AND ACCOMPLISHMENTS FROM FOUR DISTINCT PERSPECTIVES: CLIENTS, BUSINESS PROCESSES, LEARNING AND GROWTH, AND FINANCE. THE CORPORATE SCORECARD IS A VALUABLE TOOL FOR ENHANCING ACCOUNTABILITY THROUGH CONSISTENT MEASUREMENT OF PERFORMANCE AGAINST AIMS AND THROUGH THE REFINEMENT OF RESOURCE ASSESSMENT AND ALLOCATION DUE TO IMPROVED ANNUAL PLAN DEVELOPMENT AND RESULTS TRACKING.

CLIENTS

GOAL

ENSURE GAMING ACTIVITY IS CONDUCTED HONESTLY, WITH INTEGRITY AND IN THE PUBLIC INTEREST.

STRATEGIES

√ Develop and deliver innovative and proactive gaming integrity and compliance initiatives to effectively regulate and control gaming activities.

√ Advance our public interest mandate beyond our traditional regulatory activities of licensing, registration and enforcement, with a focus on social policy implications and responsible gambling initiatives.

√ Build and enhance strong communication channels with our clients.

√ Balance the opinions and interests of our stakeholders and partners within the context of reasoned and sound regulation and control.

ACCOMPLISHMENTS

√ Confirmed the honesty and integrity of 4,545 registration, licensing and technical integrity applicants via comprehensive background investigations and the application of licensing terms and conditions and technical integrity standards. These processes are integral to the operation of all casino, Video Lottery Terminal (VLT) and charitable gaming events in Manitoba. In total, 3,165 registrations (gaming employee, supplier and VLT siteholder), 952 charitable licences, 353 technical integrity approvals and 75 interim technical integrity approvals were issued, and nine full gaming supplier investigations were completed. As well, six technical integrity investigations and four technical integrity casino inspections were conducted in keeping with MGCC standards and protocols.

√ Granted technical integrity approval for Aseneskak Casino's Advantage Suite management system, in compliance with MGCC standards.

√ Developed technical integrity standards to ensure the honesty and integrity of a new electronic bingo system for Manitoba Lotteries Corporation (MLC).

√ Developed procedures to allow some charities operating bingo to choose options in game programming, prize offerings and scheduling based on market influences.

√ Issued technical integrity approval to authorize the operation of Craps table games at the Casinos of Winnipeg. Craps was proposed by MLC as a new gaming scheme in Manitoba, and the MGCC conducted extensive due diligence research, evaluation, testing and training to ensure this game met MGCC standards for honesty and integrity.

√ Approved Texas Hold'em poker tournaments and games for operation at three of Manitoba's casinos, with approval for operation at the fourth casino pending for the new fiscal year. All approvals are based on specific technical integrity standards for poker-style games.

√ Ensured compliance with legislative and regulatory requirements, game integrity standards and terms and conditions through comprehensive audit and inspection programs, proactive and responsive issues investigations, client training and support, and interagency collaboration.

√ Conducted 496 client training sessions, 2,523 cursory audit reviews, 240 annual licence holder audit reviews, 30 First Nations Gaming Commission audit reviews, 78 investigations and 1,132 inspections. These inspections were made at casinos, VLT sites and charitable venues throughout Manitoba and included 406 bingo/breakopen inspections, 124 raffle inspections, 475 VLT site inspections, 49 casino inspections and 78 Texas Hold'em poker tournament inspections.

√ Continued emphasis on client training and education has improved compliance with gaming legislation, regulations, agreements and terms and conditions. While the MGCC is hesitant to describe this as a trend, it is hoped that longitudinal tracking will link improved client communications and training with declining investigation and non-compliance numbers. For example:

- The number of investigations found to involve criminal offences fell from seven in 2006/07 to three in 2007/08. Of these three investigations, one was conducted jointly with the Winnipeg Police Service (WPS) and two were forwarded to policing authorities.
- Six investigations were found to involve regulatory offences and were resolved via letters of reprimand; there were eight such investigations in 2006/07.

√ Completed a joint investigation (Project Kaleidoscope) with the WPS into illegal card rooms; charges were laid and public awareness of illegal gaming activities increased as a result. Charges against most involved have been dealt with and the remaining cases are pending for spring 2009.

√ Worked with the provincial court and The Salvation Army to develop and deliver the Positive Lifestyles Program on gambling offered as part of the provincial court's disposition to many of those charged as a result of Project Kaleidoscope.

√ Achieved 100% compliance with legislated annual reporting requirements by licensing authorities and First Nations VLT siteholders. This was accomplished through proactive education and training efforts led by the Audit Department with support from the Compliance Department.

√ Provided responsible gambling and consumer protection information via a province-wide public education campaign, targeted client information, website information and media interviews. The public education campaign's print advertising won The People's Choice Award at the National Council of Problem Gambling's (United States) annual conference in spring 2007.

BUSINESS PROCESSES

GOAL

TO EXCEL IN SERVICE TO OUR CLIENTS; CHAMPION FAIR, BALANCED AND RESPONSIBLE GAMING POLICY; AND INSPIRE PUBLIC CONFIDENCE IN THE INTEGRITY OF GAMING ACTIVITIES IN MANITOBA.

STRATEGIES

√ Provide innovative, streamlined and consistent gaming integrity and compliance processes that ensure the integrity, fairness and accountability of gaming activity in the province.

√ Develop and deliver corporate and administrative services, including finance, information technology, communications, research and planning.

√ Make optimal use of employees, resources and technology.

√ Build stronger relationships with clients.

ACCOMPLISHMENTS

√ Maintained the integrity of 1,343 active charitable licences via consistent and comprehensive processes, including organizational updates, licence amendments and the application of licensing terms and conditions.

√ Initiated a full review of the Texas Hold'em poker tournament licensing framework that was authorized in February 2007. This review is examining the first year's operations and includes input from stakeholders and other jurisdictions to assess the effectiveness of the terms and conditions, licensing policies and due diligence requirements for these tournaments.

√ Worked with MLC and First Nations casino operators on their respective responsible gambling policies. Aseneskak Casino is revising its policy and South Beach Casino has finalized its policy. MLC is conducting a policy and standards revision.

√ Engaged in several independent and collaborative research projects, including: leadership of a national framework developed for research into the social and economic impact of gambling; the launch of a five-year longitudinal study to examine changing gambling behaviour among young adults in Manitoba; and a series of focus groups across the province to inform a new public education campaign for Manitobans.

√ Provided 99% uptime for all major information technology systems. This was supported by software, hardware and server upgrades, help desk services and new antivirus software. Public access to electronic information resources was available at www.mgcc.mb.ca.

√ Improved internal and external information technology communications via expanded content development on the MGCC's website, improved remote computer access for staff and a new internal intranet service.

√ Received 18 requests on a range of issues under The Freedom of Information and Protection of Privacy Act. Seventeen (17) requests were completed and the information provided within 30 days as required by legislation; one request was withdrawn.

√ Provided information, guidance and advice to clients and stakeholders proactively and in response to emerging issues and requests via a variety of formats.

√ Developed and implemented new procedures to improve consistency for hearings.

√ Developed mediation policy and procedures to guide management and staff through the complaint process and improve communication with stakeholders.

√ Maintained court-approved standards in compliance with Special Constable appointments through continued collaboration with municipal, provincial, national and international organizations.

√ Initiated the development of an inspection manual and an investigation policy, both of which will be introduced in 2008/09.

√ Developed and introduced a new electronic reporting tool to ease and improve financial reporting by charitable licence holders, integrate the information into MGCC's database and increase productivity within the MGCC.

√ Introduced GPS-based route planning for inspections to improve efficiencies and productivity.

√ Activated Version 1.5 of the Gaming Management System. The system's redevelopment included hardware and database upgrades, resulting in a faster system and one with more data storage capacity.

√ Maintained healthy and secure information technology systems via proactive hardware and software upgrades, strong security and firewall measures, enhanced client services and user information, and a new automated patching system.

√ Enhanced remote computer access for select employees, which has improved information retrieval and record keeping and enabled flexibility of work hours.

√ Maintained and upgraded the disaster recovery office and resources for information technology systems and internal/external communications to facilitate continued operations in the event of a disaster or significant work disruption. The MGCC's capacity to respond to such a scenario was tested in February 2008, when 100% of critical operations were resumed within four hours of a significant work disruption resulting from a burst water pipe on the floor above the offices housing approximately 80% of staff.

√ Improved and clarified business processes and employee information via new and revised corporate policies to guide computer use and remote access, working from home and working alone, corporate travel and all employee benefits.

√ Provided full corporate and operational services in the areas of information technology, finance and administration, research, communications, planning and human resources.

LEARNING AND GROWTH

GOAL

MAXIMIZE OUR PERFORMANCE AND PRODUCTIVITY, AND ENCOURAGE A POSITIVE AND PROFESSIONAL WORK ENVIRONMENT.

STRATEGIES

√ Establish and implement innovative corporate human resources development initiatives that strengthen our knowledge base through training, performance management, professional development and succession planning.

√ Create and manage a comprehensive human resources service to support MGCC's strategic and operational goals.

√ Establish processes and initiatives that support and encourage staff innovation, accountability and empowerment.

√ Attract, retain and develop qualified employees.

ACCOMPLISHMENTS

√ Introduced a new employee performance review system linked to MGCC's department, unit and corporate results assessment and reporting process. Performance reviews were conducted for all MGCC employees. Following implementation, Phase I was evaluated in late 2007 and the results were reported to management. Implementation of Phase II is planned for early 2008/09 as part of MGCC's organization-wide annual performance evaluation and reporting process.

√ Facilitated skills development to maximize employee development and productivity and as a succession planning and preparation tool via these initiatives:

- Provided over 3,100 hours of employee training and professional development in support of knowledge, specialized skill set and competency growth. This included job shadowing, mentoring, cross-training, skills development, specialized sector and professional programs and management training.

√ Maximized training resources via collaborative professional development opportunities with gaming regulatory agencies in other provinces, policing agencies and industry.

√ Supported interjurisdictional collaboration, information sharing and training via these initiatives:

- Hosted the Canadian Gaming Regulators Association annual conference, September 2007.
- Hosted the first Canadian Registration Investigators Roundtable, October 2007.
- Sponsored the National Aboriginal Gambling Awareness Conference in cooperation with the Assembly of Manitoba Chiefs, June 2007.
- Chaired national committee for the development of *The Socio-Economic Impact of Gambling Framework*.
- Staff served on the boards of the North American Gaming Regulators Association (NAGRA) and the Midwest Gaming Investigators and Regulators, and as co-chairs of NAGRA's Charitable Gaming and Investigators Committees.

√ Continued to seek and encourage internal communication and feedback via annual staff meeting and employee survey, including results reporting and improvement strategy.

√ MGCC employees achieved or maintained these professional designations:

- Certified Management Accountant
- Certified General Accountant
- Certified Fraud Examiner
- Microsoft Certified Systems Engineer
- Microsoft Certified Systems Analyst
- Certified Engineering Technician

√ Established an employee-led Respectful Workplace Committee to develop a respectful workplace policy for the MGCC.

√ Issued information manuals to each employee to provide consistent information on work expectations, responsibilities and rights, position descriptions, corporate policies, benefits and other human resources details.

FINANCE

GOAL

MANAGE OUR FINANCIAL RESOURCES AND ASSETS TO ENSURE AND DEMONSTRATE FISCAL RESPONSIBILITY, FINANCIAL ACCOUNTABILITY AND OPERATIONAL SUSTAINABILITY.

STRATEGIES

√ Ensure financial accountability and transparency though corporate and operational planning, monitoring and reporting activities.

√ Maintain internal control standards in keeping with established financial policies and procedures.

√ Oversee financial, corporate and human resources to maximize operations and enhance client service.

ACCOMPLISHMENTS

√ The Office of the Auditor General of Manitoba issued unqualified audit opinions for the MGCC's annual financial and compliance audits.

√ Achieved budget targets established in the annual business plan. Budgeted operating expenses for 2007/08 were $5,070,000; actual operating expenses were $4,966,000 ($104,000 under budget).

√ Financial management and reporting practices are based on Generally Accepted Accounting Principles and Canadian Institute of Chartered Accountants' standards.

√ Quarterly financial statements were reviewed and analyzed by the Audit Committee and approved by the Board of Commissioners.

√ The 2006/07 annual report, including audited financial statements, was tabled in the Manitoba Legislature.

√ Submitted 2008/09 business plan to the Board of Commissioners and Treasury Board for approval. Board of Commissioners approval granted, February 2008; Treasury Board approval pending as of March 31, 2008.

√ Enhanced general accountability and budget management skills by providing monthly annotated financial statements to senior managers.

√ Maximized revenue and financial sustainability via daily review and management of investment funds.

OPERATIONAL OVERVIEW

While the Manitoba Gaming Control Commission's (MGCC) legislative and regulatory mandate establishes the map for our work, and the corporate scorecard pinpoints our "location" on March 31st, the capacity to make the journey is determined by our two operational units, Gaming Integrity and Gaming Compliance, with logistical support provided by the Finance, Information Technology and Research and Communications departments. Working together, these units and departments are responsible for establishing, confirming and maintaining the honesty and integrity of gaming activities operating in Manitoba.

GAMING INTEGRITY

- Licensing
- Registration
- Technical Integrity

The departments within this unit ensure the integrity of gaming in Manitoba by:

- authorizing eligible charitable and religious organizations to conduct gaming events, as permitted by legislation and regulation and as established by specific terms and conditions
- registering gaming industry employees, suppliers, operators and Video Lottery Terminal (VLT) siteholders in accordance with legislation, regulatory requirements and terms and conditions
- approving the technical integrity of all gaming activities conducted and managed by charitable event licence holders and Manitoba Lotteries Corporation (MLC), including First Nations casinos, in accordance with technical standards and terms and conditions

To meet this mandate, Gaming Integrity Unit staff develop and apply consistent criteria to assess the honesty and integrity of prospective licence holders, registrants and gaming schemes. Each department is responsible for assessing a variety of applications by performing investigations, applying standards and testing the integrity of proposed gaming schemes to determine eligibility as set by federal and provincial legislation. When the due diligence assessment process is complete, terms and conditions are set for each licence, registration and technical integrity approval that is granted, in order to establish and confirm standards for compliance. In 2007/08, this unit's work supported the fundraising efforts of 812 charitable organizations, enabled the employment of over 2,000 Manitobans and confirmed the integrity of games offered at Manitoba's 529 VLT sites, at the Casinos of Winnipeg and at the Aseneskak and South Beach Casinos.

LICENSING

This department is responsible for licensing charitable gaming as permitted by Section 207 (1)(b), (c) and (d) of the Criminal Code (Canada) and pursuant to The Gaming Control Act. Under this legislation and as directed by Order in Council 524/1997, the MGCC is specified as an authority to issue licences to charitable or religious organizations to conduct lottery schemes where the proceeds from these schemes are used for charitable or religious purposes. The MGCC issues licences to eligible organizations to conduct and manage nine types of lottery schemes:

1. bingo events
2. breakopen tickets
3. raffles
4. media bingo
5. Texas Hold'em poker tournaments
6. Calcutta auctions
7. sports draft lotteries
8. Monte Carlo events
9. lottery schemes at public places of amusement (midway events)

LICENSING OVERVIEW

There were a total of 1,343 active charitable gaming licences in 2007/08.

- 952 charitable gaming licence applications were reviewed and approved during the fiscal year for 812 different charitable organizations. 137 were first-time applicants.
  - 309 licences were for ongoing events: 147 bingo, 122 breakopen, 11 media bingo, 4 raffle and 25 Texas Hold'em poker tournaments; and
  - 643 licences were for limited series or single events: 57 bingo, 32 breakopen, 487 raffle, 39 Texas Hold'em poker tournaments and 28 other*.

  **Other includes: Monte Carlo, sports draft lotteries and Calcutta auctions.*
- There were also 391 active licences, which are three-year licences that will come up for renewal between April 1, 2008 and March 31, 2010: 218 bingo, 145 breakopen, 15 media bingo and 13 raffle.
- Approximately 875 licence amendment requests were processed in 2007/08.

LICENSING STANDARDS

- Only charitable or religious groups are eligible to apply.
- Funds raised must broadly benefit the community for education, religion, health, poverty relief, sport, recreation or culture. Funds are not intended for individual gain or benefit.
- Licence applications are assessed based on the information provided by the applicant. This may include details about group composition and membership and about the proposed event, location, expenses and prize guarantees.
- Terms and conditions are set for each licence to guide the licence holder from the sale of the first bingo paper or seat at a Texas Hold'em poker tournament, through to the conclusion of the event. Terms and conditions authorize event scheduling and location, fees and expenses, gaming products and equipment, event conduct, rules of play, prizes and winners, event reporting, disbursement of funds and public posting of information related to the event.
- Application forms and guides, terms and conditions, financial report forms, standard rules of play and other information are available at www.mgcc.mb.ca.

To fulfill this mandate, the Licensing Department receives applications from organizations seeking permission to conduct lottery schemes. Department staff review each application to verify that the organization's qualifications for charitable status and proposed use of net proceeds meet the requirements of the Criminal Code (Canada). Staff then evaluate the information provided in the application in accordance with licensing standards, in order to confirm the organization's capacity to meet the terms and conditions of the applicable scheme.

Texas Hold'em poker tournaments were authorized as a licensable event in February 2007, in response to high demand from charitable organizations. The implementation of this initiative fell largely into 2007/08, and was a key focus for the Licensing Department. Following the first full year of licensing Texas Hold'em poker tournaments, department staff began a full review of the scheme, under the direction of the Board of Commissioners' Charitable Gaming Committee. The review involved seeking input from stakeholders and staff in order to assess successes and gaps and to recommend improvements to the standards for licensing and conducting Texas Hold'em poker tournaments. Staff completed the bulk of this work by March 31, 2008, and their recommendations are now under review by the Charitable Gaming Committee.

Another key focus this year for this department was simplifying its main process for licensing charitable fundraising events. As reported in previous annual reports, several municipalities have rescinded their raffle licensing bylaws, resulting in new licence applicants for the MGCC. A further increase in applicants is anticipated, particularly as the City of Winnipeg has indicated it may cease its licensing activity in 2008/09. Department staff proactively prepared to meet this demand in 2007/08 by developing and launching a simplified, no-fee application process to license raffle events with anticipated gross revenue of $5,000 or less. This successful approach, which was applied to

approximately 60% of the raffle licences issued this year, is an example of how this department maximizes resources to meet stakeholders' changing needs. While the approach ensures proper regulatory oversight, it also speeds customer service and enhances productivity by permitting licensing staff to focus attention on more complex files.

Being the spearhead for special projects such as the implementation of charitable Texas Hold'em poker tournaments gives Licensing Department staff important expertise to share within Manitoba and interjurisdictionally. In 2007/08, department staff contributed through committee work with the North American Gaming Regulators Association (NAGRA) and by giving presentations at the Canadian Gaming Summit and within the province.

REGISTRATION

This department is responsible for registering gaming industry employees, suppliers of gaming products and services, gaming operators and VLT siteholders, as directed by The Gaming Control Act and Regulation.

In the case of gaming employees, department staff conduct background checks on all prospective employees of MLC, Aseneskak Casino and South Beach Casino to ensure that they meet the legislated criteria of honesty and integrity. At minimum, these background checks include a criminal record check through the Canadian Police Information Centre, a computerized system operated by the Royal Canadian Mounted Police (RCMP) to provide information on criminal records to Canadian law enforcement agencies. Criminal record checks enhance public protection by assisting the MGCC in identifying individuals who may be unsuitable to work in the gaming industry. The majority of applicants meet the standards set for registration; however, additional investigation is occasionally required, and may include financial review, in-person interviews and reference checks before registration can be either issued or denied.

Members of the Registration Department also monitor employee registrants' compliance with the terms and conditions attached to their registration, to confirm that registrants remain suitable to work at MLC or at the First Nations casinos. Terms and conditions require that registered employees follow any policies authorized by MLC or the MGCC and also that employees notify the MGCC of any events involving their honesty and integrity that might affect their registration status.

Suppliers of gaming products and services must also undergo investigations by this department's staff to meet the same legislated criteria of honesty and integrity. Department investigators are authorized to conduct criminal record, credit and financial history checks as part of the background investigations of individuals and business applicants seeking registration. Investigation processes are based on the type of gaming product or service, regardless of the purchaser or the amount of product or service proposed for purchase.

Finally, the Registration Department performs the same due diligence when registering VLT siteholders, including commercial businesses, veterans' clubs, First Nations, and gaming operators. The business or association of persons in question is assessed based on established criteria, which may include an investigation into the honesty, integrity and financial history of the business owners and a review of business practices. Gaming operators are businesses that own premises in which slot machine operations and table games are conducted. At present, Aseneskak Casino and the South Beach Casino are the two such sites in Manitoba; both are operated by First Nations partnerships registered with the MGCC.

REGISTRATION: OVERVIEW AS OF MARCH 31, 2008

MLC new employee registrations	362
MLC employee renewals	1,733
Aseneskak Casino new employee registrations	77
Aseneskak Casino employee renewals	108
South Beach Casino new employee registrations	170
South Beach Casino employee renewals	139
Gaming suppliers	47
VLT siteholder registrations	529

Many of the Registration Department's responsibilities require close collaboration with gaming regulators and other agencies across North America and internationally, and department staff continue to foster these interjurisdictional relationships. The department contributes interjurisdictionally by sitting on the Board of Directors of the Midwest Gaming Investigators and Regulators (MGIR). In October 2007, the department also organized and hosted the first Registration Investigators Roundtable, which brought together investigators from across Canada to share information on joint issues and identify objectives of interest to all jurisdictions. This event was such a success that it will be held on an annual basis, with the goals of encouraging networking, shared problem-solving and training.

TECHNICAL INTEGRITY

The Technical Integrity Department ensures that registered gaming equipment and licensed events are fair, honest, safe, secure and auditable. To meet these criteria, this department works with other MGCC departments, MLC, gaming operators and independent testing laboratories to assess, test, confirm and monitor the technical integrity of gaming devices, equipment and events.

Department staff issue approvals for all gaming equipment in the province and for the manner in which lottery schemes are conducted. This means that all casino gaming supplies, table game supplies, rules of play, bingo paper, breakopen tickets, and specific terms and conditions for the conduct of gaming schemes are tested and confirmed in accordance with established standards. Standards for casino playing cards, for example, include references to quality of material, colour, printing and storage requirements.

Department staff also approve and register all gaming devices in the province, including VLTs, slot machines, lottery ticket terminals, miscellaneous electronic gaming machines, gaming tables and software, in keeping with established standards such as independent laboratory approval and supply through an approved vendor. Staff regularly inspect gaming devices to confirm continued compliance with technical integrity terms and conditions attached to the approvals and registrations.

In 2007/08, developments in the casino and charitable gaming sectors were demanding for the Technical Integrity Department. Staff neared completion on the review and approval of long-time lottery schemes operating prior to 1997, including all slot machines, gaming devices and bingo and breakopen activity at MLC-operated casinos. Staff also continued to work on approving new bingo paper and breakopen products, as MLC's transition to a new supplier progressed. Significant technical integrity testing and confirmation was also required for equipment upgrades, including MLC's replacement of its VLT central system, groundwork for a wireless electronic bingo system at Aseneskak Casino, upgrades to some electronic table games and slot progressives, and advances to the operating system that monitors all play at casino slot machines. Ongoing research and liaison with regulators throughout North America allow the Technical Integrity Department to share expertise and keep ahead of the curve on new gaming technology and industry developments. A preview of new and emerging technologies is reported on page 36.

In 2007/08, department staff continued to work with the Licensing Department to develop new terms and conditions and standards for various lottery schemes and products, including developing a formal process for reviewing and approving concealed face paper for media bingo. Department staff also chaired an interdepartmental committee to develop procedures for securing evidence related to electronic gaming devices, and contributed to the development of the Compliance Unit's casino inspection program and new inspection manual and investigation policy.

TECHNICAL INTEGRITY: OVERVIEW AS OF MARCH 31, 2008

TECHNICAL INTEGRITY APPROVALS

New slot machine models	6
Software associated with gaming devices	200
Table games and associated product and equipment	19
Table game rules of play, layouts and tournament rules and regulations	25
Breakopen tickets	2
Bingo lottery schemes	2
Bingo paper products and paper product amendments	98

TECHNICAL INTEGRITY INTERIM APPROVALS

Central systems	1
Electronic equipment	5
Table games, rules of play, and associated product and equipment	15
Bingo and breakopen products	54

GAMING COMPLIANCE

- Audit
- Compliance
- Regulatory Affairs

The departments within this unit confirm compliance with The Gaming Control Act and Regulation, terms and conditions, standards and other enabling instruments and requirements designed to uphold gaming integrity in Manitoba. Briefly, these departments accomplish this by:

- verifying that the financial reports and audited statements of licensed charitable organizations; First Nations Gaming Commissions, VLT siteholders and casinos; and other licensing authorities are appropriate and accurate
- confirming that gaming activities are conducted and managed in accordance with Manitoba's legislative and regulatory regime
- advising and guiding internal and external stakeholders on gaming legislation and regulation, investigation and inspection processes, and regulatory standards and practices

Within the context of their diverse responsibilities, these departments focus on the overarching goal of improving gaming compliance province-wide by enhancing communication and training with all clients. During 2007/08, this focus on strengthening relationships resulted in a number of significant achievements for the Audit, Compliance and Regulatory Affairs Departments.

AUDIT

The Audit Department is responsible for reviewing and analyzing clients' submitted financial information to provide assurance that record keeping and reporting comply with audit standards, legislation and regulation. During 2007/08, this department's continued emphasis on building communication with clients through audit inspections and training led to strong compliance with financial reporting requirements, and resulted in fewer reporting errors and fewer investigation referrals to the Compliance Department.

A focus on communication meant that members of this department worked closely with internal and external stakeholders to improve information sharing and encourage effective and consistent financial record keeping and reporting. For example, a consistent communication strategy contributed to the successful collection of annual financial reports from First Nations Gaming Commissions, First Nations VLT siteholders and Manitoba municipalities. 2007/08 was the first year that the MGCC received these reports and the department was pleased to achieve 100% submission of the required information.

Promoting effective record keeping and reporting also involves improving tools and resources available to clients. Accordingly, this department built on communication opportunities presented by technology to research, develop and implement a new electronic reporting tool in 2007/08 to make financial reporting faster and simpler for charitable licence holders. This tool allows licence holders to submit their quarterly financial reports via email using a Microsoft Excel spreadsheet, thus eliminating the need for signatures and making filing as easy as the push of a button. In order to launch this tool effectively, the Audit Department greatly enhanced the information available online about the MGCC's audit responsibilities, including providing extensive information about the electronic reporting tool.

Overall, in addition to examining 2,523 financial reports, this department also reviewed the audited financial statements for the Aseneskak and South Beach Casinos, provided 100 training sessions in collaboration with the Compliance Department, expanded its involvement in the MGCC's Casino Inspection Program and completed annual audit reviews for 240 charitable licence holders and 30 First Nations Gaming Commissions. The chart below summarizes charitable gaming activity for the 2007/08 fiscal year.

COMPLIANCE

This department develops compliance standards based on legislative and regulatory requirements and then monitors compliance with these standards through regular inspections that allow staff to identify and remedy irregularities. In 2007/08, the department took the proactive step of increasing inspection frequency, which led staff to complete 1,132 inspections, an increase of approximately ten percent over the previous year.

This department also conducts investigations, both when irregularities and contraventions are identified in the course of regular inspections and in response to stakeholder and public complaints.

The department responded to 204 complaints in 2007/08 and followed investigative best practices in initiating 78 investigations. Department staff worked closely with clients to seek resolutions and remedy deficiencies, and as a consequence, most investigations were concluded without formal action. Six investigations were resolved via letters of reprimand and one resulted in an Order being issued. Two cases were forwarded to the Royal Canadian Mounted Police for further investigation and one case led to a high-profile joint investigation with the Winnipeg Police Service into illegal card rooms. As of March 31, 2008, two investigations are ongoing.

Expanding the training and support offered to clients was a key focus for the Compliance Department in 2007/08. Department staff provided nearly 400 training sessions to clients, including sessions offered collaboratively with the Audit Department to train First Nations VLT siteholders to prepare their annual financial reports. Not only do improvements in communication and education build positive relationships with clients, but they also increase stakeholders' capacity to meet and maintain compliance with all licensing, registration and enabling agreement requirements. In 2007/08, the Compliance Department observed a high compliance

CHARITABLE GAMING TABLE ($MILLIONS)

Event type	Licensed Events		Gross Revenue		Prizes Paid		Total Expenses		Net Profit	
	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07
Bingo	304	337	$45.2	$48.2	$35.3	$38.4	$4.8	$5.2	$5.1	$4.6
Breakopen	260	288	4.7	4.7	3.4	3.3	0.4	0.4	0.9	1.0
Raffle	211	210	11.9	13.3	4.6	5.5	2.6	2.8	4.7	5.0
Texas Hold'em	64	31	0.5	0.1	0.3	0.0	0.1	0.0	0.1	0.1
Media Bingo	24	24	3.8	4.5	1.9	3.2	0.6	0.7	1.3	0.6
Other	12	6	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Totals:	**875**	**896**	**$ 66.2**	**$ 70.9**	**$ 45.6**	**$ 50.5**	**$ 8.5**	**$ 9.1**	**$ 12.1**	**$ 11.3**

IN ADDITION, THERE WERE 468 LICENCES ISSUED TO ORGANIZATIONS WHO, DUE TO REPORTING THRESHOLDS, WERE NOT REQUIRED TO SUBMIT FINANCIAL REPORTS OR LICENCE FEES: 171 BINGO, 19 BREAKOPEN, 297 RAFFLE, 2 MEDIA BINGO AND 16 OTHER, AND ARE THEREFORE NOT REFLECTED IN THE ABOVE CHART.

rate and forwarded fewer cases for criminal investigations than in previous years. Although historical data is insufficient to state definitively the reasons for this change, the MGCC is confident that the increase in client contact is an important contributing factor.

Increased training for staff is part of what is allowing the Compliance Department to serve as a stronger resource for clients. Staff members' skill sets have become increasingly specialized, as duties in this department have become more complex and diverse. For example, three Compliance Officers have received specialized training on most aspects of casino operations and performed 49 casino inspections in 2007/08 as part of the casino inspection program. Staff also contributed to the larger regulatory community through committee work with the Criminal Intelligence Service of Manitoba (CISM), the Manitoba Council of Administrative Tribunals (MCAT), NAGRA and Manitoba Association of Chiefs of Police.

In addition to strengthening relationships with clients in 2007/08, the Compliance Department also maintained its ongoing efforts to improve internal practices and policies. Department staff collaborated to draft an inspection manual to improve inspection expertise. The manual, which will be finalized in 2008/09, will enhance consistency in the department's inspections and be particularly beneficial as a tool for training new employees. Staff also initiated the development of an investigation policy in collaboration with the Regulatory Affairs Department.

FIRST NATIONS GAMING COMMISSION COMPLIANCE AS OF MARCH 31, 2008

Gaming commissions were compliant	25
Gaming commissions were non-compliant	0
Gaming commissions were not functioning (e.g., no board or staff in place)	7
Gaming commission was suspended	1
Total	**33**

REGULATORY AFFAIRS

This department leads the development of new programs and special training initiatives to ensure that the MGCC is proactive in its approach to gaming-related issues and trends. In 2007/08, this included developing a variety of training sessions related to regulatory processes. For example, department staff developed procedures for appeal hearings held by the Board of Commissioners and provided training to the Commissioners and to all MGCC staff on these procedures and the hearing process. Department staff also provided instructional sessions on evidence seizure, note taking and interview techniques for Compliance Department staff.

Much of this department's work in 2007/08 supported and advanced the development of the Compliance Department's programs and initiatives. The Regulatory Affairs Department conducted considerable research into casino gaming and worked closely with casino operators to develop the casino inspection program and an applicable staff training program. The casino inspection program is now operational and has been viewed by casino management as a positive influence on their operations. The department also conducted considerable research and policy development in relation to the Special Constable program, including assessing the feasibility of constructing an interview room, developing operational safety procedures and acquiring secure evidence containers.

Like the other departments in the Gaming Compliance Unit, the Regulatory Affairs Department focuses on communication and collaboration with stakeholders. This department has forged strong relationships with policing authorities, Manitoba Justice, staff and management at Manitoba's four casinos, and regulatory bodies in other jurisdictions to share expertise and ensure that the MGCC's policies and procedures remain current. Department staff have contributed as part of internal committees set up to review legislative changes and emerging issues, as well as on external committees with NAGRA, CISM, MCAT and the Council on Licensure, Enforcement and Regulation.

RESEARCH AND COMMUNICATIONS

- Communications
- Research
- Human Resources

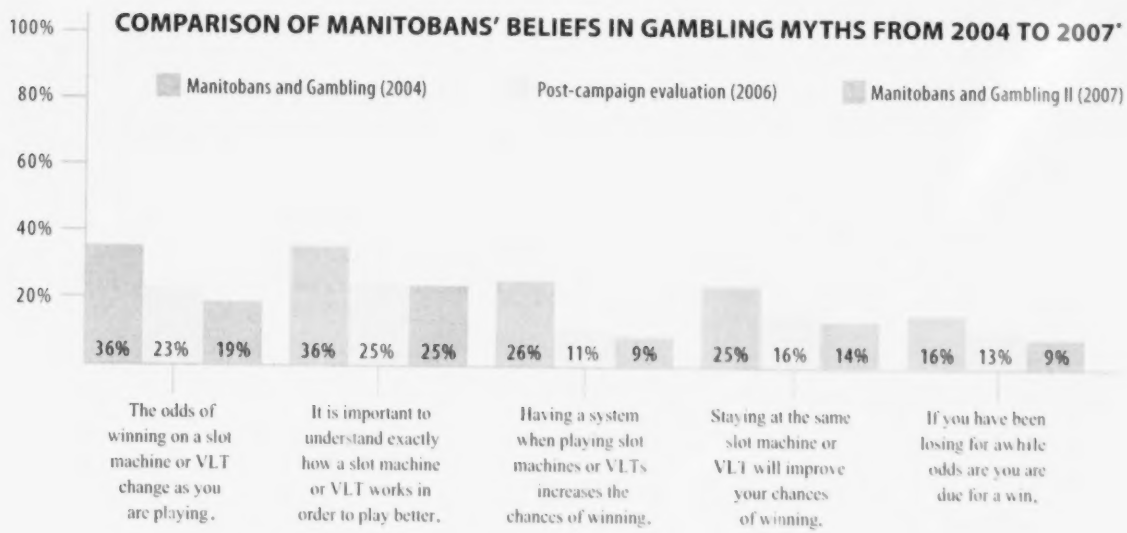
The regulation of gambling has evolved beyond the historical functions of licensing, registration and investigation to include policy advisory and public interest activities. The Research and Communications Department leads the MGCC in these activities by undertaking diverse independent and collaborative initiatives in the areas of advisory services, responsible gambling, research, consumer information and protection, and public education and awareness. The department undertakes policy advisory work at the request of the Minister charged with the administration of The Gaming Control Act, under the direction of the Board of Commissioners and the Executive Director, and in support of management and staff initiatives. While specific responsibilities for these functions are legislated by The Gaming Control Act, others are carried out in support of operational activities and in keeping with standard communication, administrative and management practices.

In addition to research and communications responsibilities, this department provides corporate planning and human resources services.

COMMUNICATIONS

The Research and Communications Department develops and manages communications strategies to support government policy initiatives and operational activities and to cultivate a positive corporate image. This includes fostering interagency and interjurisdictional collaborations and promptly providing accurate, relevant and consistent information to stakeholders.

In 2007/08, a highlight of the department's communication activities was the third flight of the MGCC's award-winning public education campaign to bust gambling-related myths, and preparation for a new campaign that will encourage Manitobans to gamble responsibly by setting and keeping to spending limits. Evaluating the myth-busting campaign over its three flights revealed a decrease in Manitobans' beliefs in popular myths about chance and randomness when playing slot machines and VLTs. The chart below illustrates the change over time.


COMPARISON OF MANITOBANS' BELIEFS IN GAMBLING MYTHS FROM 2004 TO 2007*
100%
80%
60%
40%
20%
Manitobans and Gambling (2004)
Post-campaign evaluation (2006)
Manitobans and Gambling II (2007)
36%
23%
19%
36%
25%
25%
26%
11%
9%
25%
16%
14%
16%
13%
9%
The odds of winning on a slot machine or VLT change as you are playing.
It is important to understand exactly how a slot machine or VLT works in order to play better.
Having a system when playing slot machines or VLTs increases the chances of winning.
Staying at the same slot machine or VLT will improve your chances of winning.
If you have been losing for awhile odds are you are due for a win.

* ALTHOUGH SOME OF THE DIFFERENCE BETWEEN THE 2004 RESULTS AND THOSE OF THE TWO LATER STUDIES MAY REASONABLY BE ATTRIBUTED TO THE IMPACT OF RESPONSIBLE GAMBLING MESSAGING, IT IS POSSIBLE THAT SOME OF THE DIFFERENCE IS DUE TO METHODOLOGICAL CHANGES (E.G. SAMPLING STRATEGIES, SURVEY TYPES, RESPONSE RATES) THAT HAVE OCCURRED AS THE MGCC'S RESEARCH STANDARDS HAVE EVOLVED. THE 2006 AND 2007 STUDIES ARE DIRECTLY COMPARABLE. THE RESULTS PRESENTED IN THE FIGURE ARE POTENTIALLY CLOSER WHEN MARGINS OF ERROR ARE TAKEN INTO ACCOUNT.

Other key communication initiatives included the release of the *Manitoba First Nation Gaming Market Study* (2007) to identify opportunities for new casino development in the province, work with the Assembly of Manitoba Chiefs on gaming initiatives, support to First Nations casinos on their responsible gambling policies, and work with the Winnipeg Police Service regarding the illegal poker rooms investigation. Also, planning for the redevelopment of the MGCC's website kicked off in 2007/08, as did preparation for a new strategic plan under the direction of the Board of Commissioners. Department staff worked closely with the corporate controller and chief operating officer to coordinate and prepare the MGCC's 2008/09 Business Plan. Matters related to The Freedom of Information and Protection of Privacy Act, development of French language services and corporate records management were also coordinated through this department.

RESEARCH

Conducting proactive and relevant research is a second component of the work of the Research and Communications Department. The department conducts and supports independent and collaborative research initiatives to inform the MGCC's broad regulatory responsibilities and to build research capacity in the province.

A robust research agenda guides the MGCC's research program; this plan is updated annually to ensure that the MGCC's research priorities are relevant to Manitoba's gaming environment. The status of each of the MGCC's major 2007/08 research projects are detailed in the chart on the following page. The complete research agenda is available at www.mgcc.mb.ca.

HUMAN RESOURCES

The MGCC's human resources services support strong employee-management relations, meet collective agreement and labour legislation commitments, and sustain operational responsibilities and corporate interests.

This department is responsible for developing and implementing human resources policies and services and ensuring their clear and consistent application. A major human resources achievement in 2007/08 was the introduction of a standardized employee performance review policy and process, which was implemented during the first six months of the year. The policy and process focus on managing each employee's performance through planning, setting goals, observation, two-way feedback and appraisal. Individual employee performance now is assessed within the context of the corporate performance management initiative, which links corporate, unit and departmental goals, strategies, workplans and personal performance. In addition to enabling the MGCC to make the best use of its resources to provide the highest possible standard of regulatory services, this approach also fits with recruitment and succession planning efforts as the MGCC prepares for the anticipated retirements of several long-time employees over the next five years. An evaluation was conducted following the initial implementation period and the policy and process were revised to better meet the needs of management and employees. The revised program is scheduled to be rolled-out in early 2008/09.

RESEARCH STATUS REPORT AS OF MARCH 31, 2008

Research project	Timeline	Date initiated	Collaborative research	Independent research	Status
Development of the Canadian Adolescent Gambling Inventory (CAGI)	Year 5 of 6	12/2003	✓		Instrument development complete; Phase III underway to further validate the instrument.
Development of the Social and Economic Impact of Gambling (SEIG) Framework	Complete	01/2004	✓		Final SEIG Framework released nationally in February 2008; planning underway for related initiatives.
Enhancement of the Canadian Problem Gambling Index (CPGI)	Year 1 of 3	05/2007	✓		Prioritization of enhancements complete; expert panel to be recruited in 2008 to oversee enhancements.
Feasibility Study: Establishment of a First Nations Gaming Corporation(s)	Year 3 of 3	01/2006	✓		Results pending review.
Focus groups on responsible gambling strategies	Complete	07/2007		✓	Focus groups held across the province in March 2008.
Manitoba First Nation Gaming Market Study	Complete	04/2006	✓		Final report released in August 2007.
Manitoba Longitudinal Study of Young Adults	Year 3 of 7	03/2005	✓		Research company selected in August 2007; recruitment and first cycle of data collection began in October 2007.
Manitobans and Gambling II Study	Complete	12/2006		✓	Final report published in December 2007.

EMPLOYMENT EQUITY REPRESENTATION AS OF MARCH 31, 2008

	Aboriginal		Visible Minority		Person with Disability	
	2008	2007	2008	2007	2008	2007
MGCC	11.1%	6.9%	5.6%	3.4%	5.6%	0.0%
Province of Manitoba Targets	14.0%		7.0%		7.0%	

Other significant human resources initiatives in 2007/08 included developing and implementing a policy to meet Manitoba's new whistleblower legislation, and establishing a staff-driven Respectful Workplace Committee to develop a respectful workplace policy, which will be implemented in 2008/09. The department also began preparations for several workplace-focused projects, including staff training on musculoskeletal risk and conducting musculoskeletal risk identification and assessments for positions deemed higher risk based on job functions. Finally, the MGCC made significant gains towards the employment equity targets set by the Province of Manitoba, as shown in the chart above.

Negotiating and completing collective agreements also falls within human resources responsibilities. In terms of continued services and operations, the MGCC's current collective agreement with its employees covers the period to April 2010.

CORPORATE SERVICES

- Finance
- Information Technology

Reporting to the Chief Operating Officer, the Finance and Information Technology Departments provide core administrative and management functions and technological resources to enable all other departments to meet their responsibilities.

FINANCE

The Finance Department supports the day-to-day functions of all other departments by managing all financial planning, transactions and reporting for the MGCC. This includes maximizing returns on all assets by closely administering revenue and expense transactions, investment practices and capital asset management. This also includes reviewing and verifying all financial transactions in order to ensure that there is complete accountability and transparency in the MGCC's financial records. The Finance Department is responsible for correctly consolidating all of the MGCC's financial information for audit by the Office of the Auditor General, which provided the MGCC with unqualified audit opinions for both its Financial Attest and Compliance Audits in 2007/08. The MGCC's 2007/08 financial statements are included in this report, beginning on page 39.

The Finance Department works closely with other departments to support their financial planning and management. In 2007/08, department staff assisted all other departments in developing their 2008/09 budgets, as part of the business planning cycle. Staff also provided monthly and quarterly financial statements and analyses to management and the Board of Commissioners, to be used as a management tool.

This department also implements financial policies and procedures and keeps staff informed about updates to these policies and procedures, to accounting practices and to financial information technology systems. Department staff liaise with the Government of Manitoba and with the Canadian Institute of Chartered Accountants to ensure that staff are working with the most up-to-date financial technologies and standards. In 2007/08, this department also supported MGCC staff by updating the MGCC's travel expense policy, initiating the development of a purchasing policy and taking the preparatory steps for the MGCC to be able to begin to accept electronic payments for charitable gaming licence fees in 2008/09.

Finally, the Finance Department is responsible for administrative matters related to purchasing of supplies and services, furniture, office administration and security, plus landlord/tenant relations, including space requirements, general office upkeep and leases. In 2007/08, department staff assisted various contractors with the administration and re-settlement of MGCC staff and equipment following the flooding from a burst water pipe in February 2008.

INFORMATION TECHNOLOGY

The Information Technology (IT) Department provides applications development and a reliable network of computer and telecommunication devices and services to all other departments. Staff work closely with other departments to identify their information technology needs and ensure the availability of effective and appropriate resources.

The IT department tackled several projects in 2007/08 to support the work of operational departments, including purchasing new computers and LCD monitors, improving remote computer access for staff, and upgrading the MGCC's accounting software and server to ensure that audit and finance staff are working with the most current technology. Department staff also upgraded the underlying hardware and database of the Gaming Management System, the MGCC's internal business software, and initiated planning for a major redevelopment of the Gaming Management System. Planning for this redevelopment, which will be complete in summer 2009, included conducting extensive technical research to inform the project plans and obtaining staff input on the strengths and weaknesses of the current system.

This department provides essential support to the MGCC's internal and external communications. This includes managing the MGCC's website and communications software to enable staff to share and report information effectively. Ongoing updates to the MGCC's website included incorporating a new research section into the site design, overhauling the technical integrity section and adding Audit Department functions like the new electronic reporting tool. Department staff also introduced a user-friendly interface for the MGCC intranet and promoted staff use of this valuable internal tool for information exchange. Expectations for staff use of technologies are detailed in the MGCC's remote access and computer and telecommunications policies, both of which were thoroughly revised in 2007/08.

A key component of the IT Department's work is to ensure that the MGCC's computer and telecommunications resources are secure and stable so that operational activities can take place with negligible interruption. In 2007/08, department staff installed new antivirus software on all computers and initiated work on a new server for the MGCC's disaster recovery office. The department achieved 99% uptime for all major information technology systems in 2007/08, despite a significant work disruption in February 2008 that resulted from a burst water pipe on the floor above the offices housing the majority of MGCC staff.

HIGHLIGHTING THE DIVERSITY OF OUR REGULATORY MANDATE

The Manitoba Gaming Control Commission (MGCC) first included a special section in our 2001/02 annual report, highlighting a traditional regulatory focus: charitable gaming. Since that time, we have used this section to examine our due diligence processes for the implementation of licensing charitable Texas Hold'em poker tournaments; to share our first strategic plan; to report on Manitobans' gambling knowledge and behaviours; and to take a close look at the concept of game integrity.

To mark our 10th anniversary, this year's special section touches on four distinct topics that illustrate the breadth of MGCC's regulatory scope and responsibilities: responsible gambling education; illegal gambling; measuring gambling's impact; and new and emerging technologies.

We hope you find this section interesting and informative.

A NEW DIRECTION IN RESPONSIBLE GAMBLING EDUCATION

The Manitoba Gaming Control Commission (MGCC) shares a duty with treatment agencies and the industry to provide Manitobans with the information they need to gamble responsibly. Implementation of our responsible gambling education mandate is a strong example of how the MGCC uses research to ensure that our public initiatives anticipate and respond to the changing needs of Manitobans.

To date, the MGCC has focused on empowering Manitobans to make informed gambling choices through a public education campaign that busts myths about gambling-related odds and randomness. We launched the first flight of our award-winning campaign in 2005, in response to research results that showed that these myths were widespread in the province. The campaign ran again in 2006 and 2007.

The MGCC regularly measures Manitobans' gambling attitudes, knowledge and behaviours in order to evaluate public initiatives, and our evaluation research told us that the myth-busting campaign produced results. The number of Manitobans who believed the myths decreased after each campaign flight: after just two flights, more than half of Manitobans knew that all of the myths were false and nearly another quarter believed only one myth.

Still, the myth-busting campaign, like similar primary prevention campaigns from other provinces, is based on the theory that improved knowledge will lead players to gamble more responsibly. In 2007, the MGCC initiated a series of research projects to better understand Manitobans' choices about responsible gambling. Through the *Manitobans and Gambling II* (2007) study, we saw that responsible gambling behaviours were not improving in line with this theory. Despite the campaign's success at correcting faulty beliefs, some Manitobans were unable to correctly describe key aspects of responsible gambling and just 40% of Manitobans viewed gambling expenditures as part of an entertainment budget, like spending money to see a movie or going out to dinner.

In asking a detailed series of questions about limit-setting strategies, *Manitobans and Gambling II* (2007) also found that just two-thirds of Manitobans always use at least one strategy to limit their gambling. As the pie charts show, the most common strategies are to set a spending limit or budget, where the gambler decides in advance the maximum amount to spend, and to limit access to finances, for example, by leaving debit and credit cards at home or by quitting when cash runs out. Fewer Manitobans set duration or frequency limits, that is, limits around how often they gamble or how long they play.

The MGCC held focus groups across the province in 2008 to explore this puzzling finding that Manitobans have not changed their responsible gambling behaviours, despite being better informed about how gambling works. Focus groups are a valuable complement to survey research: although, unlike surveys, the results cannot be extended to the entire population, focus groups provide deeper insight into participants' complex motivations and thoughts. Indeed, our focus groups revealed some very interesting patterns. First, nearly all participants felt strongly that setting limits is important for staying

"IT'S NOT A WAY OF LIVING. IT'S NOT A WAY OF MAKING MONEY. PEOPLE NEED TO REMEMBER THAT WHEN THEY'RE GAMBLING. THEY THINK THAT THEIR LIFE WILL BE BETTER, BUT THEY'RE WRONG. IT'S JUST ENTERTAINMENT." — LOIS, FOCUS GROUP PARTICIPANT.

"I [CONSIDER RESPONSIBLE G AM BLING] BALANCING GAMBLING FUN WITH A NEW JACKET OR A NEW DISHWA SHER - E VERYTHING IS AN IMPROVEMENT TO THE QUALITY OF MY LIFE AND ENTERTAINMENT IS A PART OF THA T." – DAVE, FOCUS GROUP PARTICIPANT.

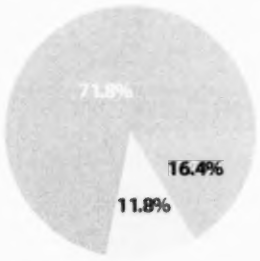
in control when gambling, and most said that they personally set limits when they gamble. Participants rarely describe limits in anything but financial terms. They set limits based on what they can individually afford, and many think of gambling spending to be part of their entertainment budget or "fun money". Despite this protective strategy, several participants could remember times when they had spent beyond their limits. This had happened most commonly when they believed that they could win back their lost money or when they were gambling with friends who had not yet hit their own limits.

Most participants agreed that it's important for the public to hear messages about responsible gambling strategies, in particular, the strategies to set a limit on how much money they can afford to gamble and to remember that gambling is a form of entertainment that costs money. Participants felt that hearing these messages would not make gambling less enjoyable for the public, but that it would make Manitobans better equipped to manage their gambling spending.

All of this research suggests that the public might benefit greatly from a broad new responsible gambling campaign that would depict key responsible gambling behaviours, including setting spending limits. The MGCC is now beginning to develop this kind of cutting-edge campaign, to be launched province-wide in fall 2008, which will provide Manitobans who choose to gamble with information to do so knowledgeably and responsibly.

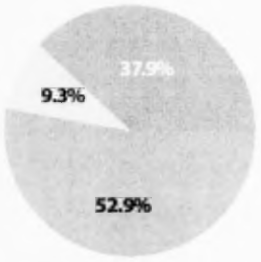
THE *MANITOBANS AND GAMBLING II* [2007] REPORT PRESENTS MORE DETAILS ABOUT THE FACTS, STATISTICS AND GRAPHS IN THIS SECTION. THE REPORT IS AVAILABLE AT WWW.MGCC.MB.CA.

MANITOBANS' STRATEGIES FOR SETTING LIMITS



DURATION LIMITS

FREQUENCY LIMITS



SPENDING LIMITS

FINANCIAL ACCESS LIMITS

Never Always Rarely/Sometimes/Often

ENSURING THE HONESTY AND INTEGRITY OF GAMING: TURNING OUR ATTENTION TO ILLEGAL GAMBLING

Most Manitobans understand that the Manitoba Gaming Control Commission's (MGCC) regulatory role includes the responsibility to enforce compliance with the legislation, terms and conditions and policies that authorize and monitor legal gambling operations. In Canada, the Criminal Code prohibits gambling that is not authorized through provincial legislation – in Manitoba's case these are The Gaming Control Act and The Manitoba Lotteries Corporation Act. In combination, these Acts legalize many forms of gambling in Manitoba, including charitable bingo, raffles and Texas Hold'em poker tournaments, as well as VLT and casino operations.

Nevertheless, describing and understanding what is illegal can be complex and intricate. As the authors of *The Legalization of Gambling in Canada* (2005) observe:

"... MODERN LEGISLATORS HAVE TRIED GENERALLY TO STRIKE A BALANCE BETWEEN REGULATION AND PROHIBITION. INEVITABLY, EFFORTS TO CONTROL GAMBLING RESULT IN POLICIES STIPULATING WHERE, WHEN, AND UNDER WHAT CONDITIONS THE ACTIVITY IS PERMISSIBLE. CONSEQUENTLY, GAMBLING CAN BE LEGAL OR ILLEGAL DEPENDING ON THE CONTEXT, CIRCUMSTANCES AND THE OPERATORS OF THE GAME." [1]

It is within this context that the MGCC works with policing authorities, business operators, registrants and licence holders, the Manitoba Lotteries Corporation (MLC), First Nations and the public to uphold the Criminal Code (Canada) and the mandate of provincial legislation.

Legal activities are conducted under laws, regulations and terms and conditions which ensure the honesty and integrity of gaming events. There is also a consumer protection aspect to legal gambling that ensures avenues for complaints, dispute resolution, confirmation of technical integrity and monitoring for cheating and fraud. From a broader public interest perspective, legal gambling permits the community as a whole to benefit from gaming revenue, either through charitable fundraising or through government expenditures on programs and services.

Illegal events on the other hand, operate outside the Criminal Code (Canada); they are not monitored and there is no attempt to guarantee the honesty and integrity of these events. There is no avenue or concern for consumer protection or redress. Illegal gambling can compromise legitimate business operations and undermine sanctioned and regulated activities that operate for the benefit of the community – as opposed to the benefit of a few.

While it is ultimately the responsibility of law enforcement agencies to stop illegal gambling, Special Constable status granted in 2004 expanded the MGCC's investigative and compliance mandate to authorize investigations into allegations of illegal gaming and gaming related fraudulent activities. At that time, Manitoba Justice appointed nine MGCC staff members as Special Constables who are trained to conduct investigations in keeping with appropriate investigative and evidence-gathering standards. In 2007/08, MGCC's Special Constables conducted 78 investigations, resulting in two cases forwarded to the Royal Canadian Mounted Police (RCMP) and one high-profile joint investigation with the Winnipeg Police Service (WPS) into suspected illegal poker games.

Given the MGCC's investigative and regulatory expertise, it is natural for us to take a lead role in educating many groups about illegal gambling. For example, in 2006 our Regulatory Affairs Department coordinated a weeklong illegal gambling seminar for twenty-seven members of the RCMP, WPS, Brandon Police Service and Manitoba Justice. This innovative educational opportunity broadened participants' understanding of illegal gambling through a series of seminars by Ontario Justice, the Ontario Provincial Police Illegal Gambling Unit and the Canada Revenue Agency. The illegal gambling seminar was such a success that MGCC is planning a second series to further train police in this field.

The MGCC is equally committed to educating charitable organizations, businesses and the public about illegal gambling. Over the past few years, the MGCC has enhanced its services through more contact and training with our clients: our Audit and Compliance Departments held nearly 500 training sessions in 2007/08.

Along with the educational opportunities offered through our regular contact with clients, the MGCC also provides widespread public information about illegal gambling when we become aware of gaps in public knowledge. For example, when the MGCC was studying the possibility of licensing charitable Texas Hold'em poker tournaments, it was fundamental to clarify the legal context of poker schemes and to communicate this information to the public. We made use of our website and the significant media interest in Texas Hold'em to raise awareness about the complex criteria used to decide the legality of a proposed event.

Tackling illegal gambling is an ongoing challenge for gaming regulators. In our next decade, the MGCC will continue to collaborate with our stakeholders and the criminal justice system to support legal gambling, to seek innovative ways to provide information about legal gambling, and to enforce the gaming laws that protect all Manitobans.

ILLEGAL EVENTS... OPERATE OUTSIDE THE CRIMINAL CODE (CANADA); THEY ARE NOT MONITORED AND THERE IS NO ATTEMPT TO GUARANTEE THE HONESTY AND INTEGRITY OF THESE EVENTS. THERE IS NO AVENUE OR CONCERN FOR CONSUMER PROTECTION OR REDRESS.

1. Campbell, C., Hartnagel T.F., & Smith G.J. (2005). The Legalization of Gambling in Canada. Prepared for The Law Commission of Canada series, "What is a Crime?"

DEVELOPING A FRAMEWORK FOR MEASURING GAMBLING'S IMPACT

How does gambling benefit society? What are its costs? How can we measure gambling's real economic and social impact, especially as access to gambling changes and as new technologies are introduced? How can studies of gambling's impact be used to inform policy decisions?

These are all questions that the Manitoba Gaming Control Commission (MGCC) – along with governments, the gambling industry and the public – began to ask in the late 1990s. Legalized gambling was expanding in all provinces, but scant and contradictory research meant that this growth was taking place with very little knowledge about gambling's far-reaching effects. Canadians had conflicting opinions about the growth. Supporters pointed to the economic benefits of job creation and greater government revenues, while opponents warned that increased access to gambling could lead to problems for some individuals and their families.

The substantial gap in knowledge about gambling's costs and benefits was a call to arms for researchers to begin developing tools to objectively and accurately measure gambling's footprint on individuals, families, communities, regions and provinces. Developing this kind of measurement tool is a complex, long-term and costly undertaking, the kind of project that requires a great deal of expert input and significant collaboration for funding and oversight.

The MGCC committed early on to this research direction by partnering with Canadian gambling researchers, regulators and treatment agencies to fund and oversee the development of a framework for measuring legalized gambling's positive and negative impact. In February 2008, this collaboration culminated in the release of *The Socio-Economic Impact of Gambling (SEIG) Framework*, a report that brings Canadian jurisdictions a big step closer to being able to answer questions about how gambling affects us all.

WHAT IS THE SEIG FRAMEWORK?

The framework was created by economist Mark Anielski, with expert input from an international panel of distinguished researchers. It provides a plan of all of the variables that should be taken into account to thoroughly measure gambling's costs and benefits for society and the economy – researchers call this kind of map a "conceptual framework". The variables in the framework are divided into costs and benefits and are classified into six themes: (1) health and well-being; (2) economic and financial; (3) employment and education; (4) recreation and tourism; (5) legal and justice; and (6) culture.

Although the framework sets best practices for this research field, it is not designed for classical cost-benefit analysis. This means that it does not calculate whether gambling has a positive or negative net effect. As the framework illustrates, gambling is connected to too many variables to be able to reduce their impact to a bottom line. Many of the costs and benefits cannot even be meaningfully compared, because some of the variables can be calculated in terms of money, whereas others can only be described. For example, we can quantify the costs to governments of providing problem gambling treatment, but it is impossible to attach a number to the entertainment pleasure that gamblers feel.

CONTRIBUTION AND NEXT STEPS

The framework report is subtitled *In Search of the Gold Standard*, which implies, plainly, that the tool is not quite there yet. Rather, it will evolve continually as researchers use it to guide impact studies and as we accordingly learn more about gambling's causal links with the framework variables. The MGCC and its partners are responding to this need for more research by encouraging or funding a variety of projects that experiment with the framework. For example, the MGCC is using the framework to study the effects of First Nations casinos in Manitoba. The partners are also planning a symposium that will bring together researchers using the framework to discuss its future directions.

Publishing the SEIG Framework in 2008 was a major achievement for the MGCC and its partners. The interjurisdictional collaboration allowed each partner to leverage its research investment into a final product that would have been beyond the scope of any single partner organization. The partners expect that this product – the framework itself – will lead to comparable, accurate profiles of the true costs and benefits of gambling, and that research consensus about gambling's impact will be a solid foundation for responsible and responsive policy decisions.

THE SEIG FRAMEWORK IS PART OF A LARGE TECHNICAL DOCUMENT THAT PROVIDES A WEALTH OF ADDITIONAL INFORMATION ABOUT ITS USE AND ABOUT CONDUCTING IMPACT STUDIES IN GENERAL. THE FULL REPORT IS AVAILABLE AT WWW.MGCC.MB.CA.

THE MGCC PARTNERED WITH THE FOLLOWING ORGANIZATIONS TO FUND THE DEVELOPMENT OF THE SEIG FRAMEWORK. THE MGCC CHAIRS THIS INTERPROVINCIAL GROUP.

- Canadian Centre on Substance Abuse
- British Columbia Gaming Policy and Enforcement Branch
- Alberta Gaming Research Institute
- Saskatchewan Liquor and Gaming Authority
- Addictions Foundation of Manitoba
- Ontario Problem Gambling Research Centre
- Ministère de la Santé et des Services sociaux (Québec)
- Nova Scotia Gaming Foundation
- Government of New Brunswick Department of Health

LOOKING TO THE FUTURE: NEW AND EMERGING TECHNOLOGIES

Colour television had only been available to Canadian viewers for two years when the Criminal Code (Canada) was amended in 1969 to give federal and provincial governments the authority to conduct and license lottery schemes. The battery-operated pocket calculator astounded the world when it was introduced one year later and mobile phones, laptops, global positioning systems and the Internet were still in the realm of science fiction.

Nearly forty years later, the Criminal Code (Canada) still governs gambling, but technology now drives much of our world and how we live in it – including the development and operation of gambling activities. Shifting demographics, the Internet, globalization and increasing consumer comfort with technology are driving player demands, which the gaming industry – including developers, manufacturers and suppliers – will seek to meet.

From the perspective of a gaming regulator at the beginning of the 21st century, a look into our future shows that we must anticipate and prepare to meet the challenges of gambling's new and emerging technologies. Building upon the strength of our current game integrity standards, terms and conditions, tests and inspections, the Manitoba Gaming Control Commission (MGCC) is confident that we will be prepared to assure the public's confidence in gaming as technological advances continue to influence the evolution of gambling activities in Manitoba.

While there are no current plans to implement the following concepts in Manitoba, the MGCC is monitoring these new and emerging technologies to ensure we are well positioned to craft and apply regulatory standards and to ensure gaming continues to be conducted with honesty, integrity and in the public interest.

DOWNLOADABLE AND SERVER-BASED GAMBLING

Downloadable and server-based games pose a significant challenge for regulators, as this new technology potentially permits operators to change games, wager denominations and odds at the push of a button. From an operators' point of view, this flexibility can customize individual slot machines or the whole gaming floor for promotions at certain times of the day or week or to personalize each player's experience. However, the potential to change the structure of the game, wagers and prize payouts raises cautionary flags for regulators, who must set game security and integrity standards to ensure fair play and public trust. Although downloadable and server-based technologies are currently being tested in the United States, Manitoba does not expect to introduce this kind of gambling in the near future. As a vigilant regulator, however, the MGCC is beginning to consider the standards and tests that we might apply if downloadable and server-based games ever are considered in the province.

REAL TIME, NETWORK-BASED SYSTEMS

System developers are touting real time, network-based systems as the ultimate operating platform for casino floor operations. Introducing these systems will allow operators to monitor and access immediate information about all aspects of their facilities, including electronic gaming devices, tables, banking, customer promotions, player information, responsible gambling and security. These comprehensive systems will enable regulators to confirm the honesty and integrity of casino operations by using real time information to test compliance with standards and terms and conditions; to provide data and background for inspections and investigations; to assist with patron complaints; to examine security functions; and to monitor unusual or suspicious activity. From a technical integrity perspective, application of this new technology to casino floor operations can enhance a regulator's capacity to ensure that gaming activities are fair, honest, safe, secure and auditable.

REAL TIME MARKETING

Although it falls more within the scope of marketing than within the purview of gambling regulation, direct-to-player, real time, on-screen communication will enable casino operators to customize marketing, advertise meal specials and promote upcoming entertainment events. Looking at this option from the traditional regulatory perspective of licensing and registration, a regulator may see little application to the integrity of the lottery scheme. However, examining this more closely, and in the context of public interest and responsible gambling, direct-to-player technologies could be applied to give players information on their time and money expenditures, as well as options for other forms of entertainment and information about healthy player choices and problem gambling.

PEER-TO-PEER GAMBLING

A growing interest in peer-to-peer gaming could see today's electronic skill games, such as Nintendo, Xbox and PlayStation, modified for play on electronic gaming devices like slot machines. Game developers now envision that players will play the games independently and against other players in the same casino or other gaming venue. It is expected that demographic shifts will influence consumer demand for this kind of experience, as younger players seek incredible graphics, lively action and head-to-head competition.

This kind of gambling will present a challenge to regulators, as it expands the concept of the game of chance to include skill-based electronic games. Further, this format could potentially permit players to begin, stop and resume games at their discretion, which raises questions about game manufacturers' ability to satisfy regulators that peer-to-peer gambling is auditable, secure and fair from the start of play through to the conclusion of the game.

FIXED PRICE GAMBLING

Fixed price gambling poses a potential test for regulators as it also challenges the current definition of gambling, that is, placing a wager for a chance to win a prize. Fixed price games offer players the opportunity to "purchase" gambling time or plays – for example, 30 minutes or 50 plays – to win a prize. The potentially complex game structure of fixed price gaming will require regulators to develop and establish regulatory standards to test and confirm that the integrity of each play and wager is applied equally, fairly and consistently over the specified period of time or the specified number of games.

FINANCIAL STATEMENTS

For the year ended March 31, 2008

40 Management Report

41 Auditors' Report

42 Management's Certification of Compliance

43 Schedule of Legislative and Related Authorities

44 Auditors' Report on Compliance

45 Balance Sheet

46 Statement of Operations and Surplus

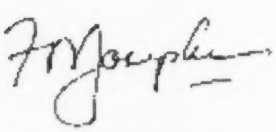
47 Statement of Cash Flows

48 Notes to Financial Statements

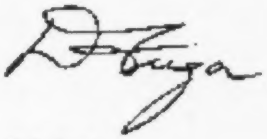
The Management of the Manitoba Gaming Control Commission (MGCC) is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information that it has prepared for this report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgments are made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by Manitoba's Office of the Auditor General (OAG), whose opinion is included herein. The OAG has access to the Board of Commissioners, with or without Management present, to discuss the results of their audit and the quality of financial reporting at the MGCC.



F. J. O. (Rick) Josephson
Executive Director



Dale Fuga
Chief Operating Officer

May 30, 2008

AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Commissioners of the Manitoba Gaming Control Commission

We have audited the balance sheet of the Manitoba Gaming Control Commission as at March 31, 2008, and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Gaming Control Commission as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

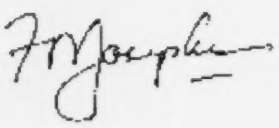
Office of the Auditor General

Winnipeg, Manitoba
May 30, 2008

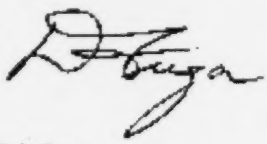
500 - 330 Portage Avenue, Winnipeg, Manitoba, R3C 0C4 Phone: (204) 945-3790 Fax: (204) 945-2169
www.oag.mb.ca

To: Board of Commissioners of the Manitoba Gaming Control Commission

We hereby confirm that for the year ended March 31, 2008, the Manitoba Gaming Control Commission has complied with the criteria established by the provisions of The Gaming Control Act, Regulations, Orders in Council and other applicable legislation as outlined in the attached Schedule.



F. J. O. (Rick) Josephson
Executive Director



Dale Fuga
Chief Operating Officer

May 30, 2008

Orders in Council

10/2003	Appointment of OAG as auditor of MGCC
446/2003	Commissioner reappointments to the MGCC Board
450/2002	Appointment of Executive Director
341/1997	Working capital advances

The Gaming Control Act

Subsections

s.3(1)	The Gaming Control Commission
s.5(1)	Annual reports
s.6(1)	Executive Director
s.55(1)	Banking
s.55(2)	General fund
s.55(3)	Deposit of monies
s.55(4)	Operating expenses
s.55(5)	Advances for working capital
s.55(6)	Payment of advances
s.55(7)	Investments
s.55(8)	Investments held in trust
s.55(9)	Fiscal year
s.55(10)	Records and accounts
s.55(11)	Annual budget
s.55(12)	Auditor
s.55(13)	Disposition of surplus money
s.56(2)	Powers of Commission respecting property
s.59(e)	Regulations by Lieutenant Governor in Council
s.59(e.1)	Regulations by Lieutenant Governor in Council
s.60(1)(d)	Regulations by Commission - prescribing of fees
s.60(1)(d.1)	Regulations by Commission - remittance of fees

Regulations

Section 12	Payment of annual fee
Section 20(1) to 20(4)	License fees and when payable
Section 21(1) to 21(3)	Registration fees including Schedule (section 21)
Section 22	Payment of fees
Section 23	Reduction on application

The Public Sector Compensation Disclosure Act

s.2(1)	Disclosure required
s.2(2)	Consistent reporting required
s.3(1)	Manner of disclosure
s.3(2)	Names and positions or classifications to be disclosed

AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT ON COMPLIANCE

To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the Manitoba Gaming Control Commission's compliance for the year ended March 31, 2008, with the provisions of the legislative and related authorities outlined in Management's Certification of Compliance pertaining to its financial reporting, budgeting and planning, safeguarding of assets, spending, revenue raising, borrowing, investing, board remuneration and expenses, and trust activities.

Compliance with the legislative and related authorities is the responsibility of the management of the Manitoba Gaming Control Commission. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstance.

In our opinion, the Manitoba Gaming Control Commission has complied, in all significant respects, with the specified legislative and related authorities for the year ended March 31, 2008.

Office of the Auditor General

Office of the Auditor General

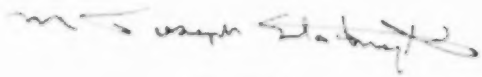
Winnipeg, Manitoba
May 30, 2008

500 - 330 Portage Avenue Winnipeg Manitoba R3C 0C4 Office 204 945 3790 Fax 204 945 2169
www.oag.mb.ca

For the year ended March 31	2008	2007
ASSETS		
Current Assets		
Cash	**$100,014**	$46,070
Short-term investments	**3,060,754**	3,230,478
Accounts receivable (Note 3)	**33,134**	38,987
Prepaid expenses	**29,279**	27,281
Receivable – Province of Manitoba (Note 6)	**146,079**	
	3,369,260	3,342,816
Long Term Receivable – Province of Manitoba (Note 6)		146,079
Capital Assets (Note 4)	**389,452**	416,193
	$3,758,712	$3,905,088
Liabilities and Surplus		
Current Liabilities		
Accounts payable and accrued liabilities	**$460,075**	$521,812
Deferred revenue (Note 5)	**1,922,525**	1,915,391
Deferred lease inducements (Note 7)		6,125
	2,382,600	2,443,328
Provision for employee severance benefits (Note 6)	**487,562**	167,739
Provision for employee pension benefits (Note 10)	**45,401**	61,638
	2,915,563	2,672,705
Surplus	**843,149**	1,232,383
	$3,758,712	$3,905,088

The accompanying notes are an integral part of these financial statements.
On behalf of the Board:

Director



Director

For the year ended March 31	2008	2007
Revenue		
Registration fees	**$3,551,045**	3,539,404
License fees	**923,627**	993,847
	4,474,672	4,533,251
Expenses		
Salaries and benefits	**3,734,705**	3,434,808
Rent	**264,989**	211,418
Legal and professional fees	**159,523**	364,237
Transportation	**133,100**	140,920
Amortization	**103,866**	105,069
Communications	**102,705**	104,056
Supplies and services	**102,592**	114,493
Education, training, and conference	**100,186**	104,624
Public Education	**91,136**	95,069
First Nations legal and professional	**51,166**	47,919
Commission Board	**49,183**	59,985
Accommodations	**35,085**	45,915
HR/Systems support	**26,276**	21,301
Other expenses	**11,894**	51,823
	4,966,406	4,901,637
Income (loss) before other items	**(491,734)**	(368,386)
Other Items		
Interest income	**70,986**	86,604
Other income	**31,514**	17,807
	102,500	104,411
Excess revenue (expenses) and comprehensive income (loss)	**(389,234)**	(263,975)
Surplus, beginning of year	**1,232,383**	1,496,358
Surplus, end of year	**$843,149**	1,232,383

The accompanying notes are an integral part of these financial statements.

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Excess of revenue over expenses	**$(389,234)**	(263,975)
Items not involving cash		
Amortization of capital assets	**103,866**	105,069
Amortization of capital assets related to the Commission Board	**2,001**	2,024
	(283,367)	(156,882)
Changes in non-cash working capital balances		
Accounts receivable	**5,853**	(11,460)
Prepaid expenses	**(1,998)**	(8,449)
Accounts payable and accrued liabilities	**(61,737)**	167,415
Deferred revenue	**7,134**	13,721
Deferred lease inducements	**(6,125)**	(10,500)
Provision for employee severance benefits	**319,823**	2,773
Provision for employee pension benefits	**(16,237)**	10,439
	(36,654)	7,057
Cash Flows from Investing Activities		
Purchase of capital assets	**(79,126)**	(112,822)
Increase (decrease) in cash and cash equivalents during the year	**(115,780)**	(105,765)
Cash and cash equivalents, beginning of year	**3,276,548**	3,382,313
Cash and cash equivalents, end of year	**$3,160,768**	$3,276,548
Represented by		
Cash	**$100,014**	$46,070
Short-term investments	**3,060,754**	3,230,478
	$3,160,768	$3,276,548

The accompanying notes are an integral part of these financial statements.

For the year ended March 31, 2008

1. NATURE OF BUSINESS

The Manitoba Gaming Control Commission was established by The Gaming Control Act. The organization's objectives are to regulate and control gaming activity in the province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest. The organization began its operations on October 20, 1997.

2. SIGNIFICANT ACCOUNTING POLICIES

a. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

b. New Accounting Policies

Effective April 1, 2007 the Manitoba Gaming Control Commission (MGCC) adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes
Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the MGCC has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the MGCC's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income
Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The MGCC has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the MGCC has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments – Recognition and Measurement
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The MGCC is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recoded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The MGCC has designated its financial instruments as follows:
Cash and short term investments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized

in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable, accrued liabilities and long term debt are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the MGCC's financial statements for the year ended March 31, 2008.

c. Financial Instruments
The MGCC's financial instruments consist of cash, short term investments, accounts receivable, and accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the MGCC is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

d.Use of Estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

e.Future Accounting Policy Changes
The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

f.Capital Assets
Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20% declining balance basis
Furniture and fixtures	10% declining balance basis
Computer equipment	30% declining balance basis

g.Revenue Recognition
Revenue and expenses are recorded on an accrual basis except for license and supplier registration fees, which are recognized on a cash receipt basis.

3. ACCOUNTS RECEIVABLE

	2008	2007
Trade	**$34**	$5,897
Manitoba Lotteries Corporation	**16,950**	14,900
First Nations Casinos	**2,100**	4,250
Employee Advances	**11,917**	11,917
Supplier Investigations	**2,133**	2,023
	$33,134	$38,987

For the year ended March 31, 2008

4. CAPITAL ASSETS

2008	Cost	Accumulated Amortization	Net Book Value
Equipment	**$67,270**	**$56,219**	**$11,051**
Furniture and fixtures	**398,712**	**207,434**	**191,278**
Computer equipment	**1,008,612**	**821,489**	**187,123**
	$1,474,594	**$1,085,142**	**$389,452**

2007	Cost	Accumulated Amortization	Net Book Value
Equipment	$66,362	$53,627	$12,735
Furniture and fixtures	360,360	187,376	172,984
Computer equipment	1,020,977	790,503	230,474
	$1,447,699	$1,031,506	$416,193

5. DEFERRED REVENUE

Deferred revenue consists of registration fees received to be recognized as revenue in the year in which the related expenses are incurred

6. PROVISION FOR EMPLOYEE SEVERANCE BENEFITS

Effective April 1, 1998, the Commission commenced recording the estimated liability for accumulated severance pay benefits for certain of its employees. The amount of this estimated liability is determined using the triennial actuarial report of severance obligations as at March 31, 2008.

During the last collective bargaining session it was negotiated that effective April 1, 2007 all employees would be eligible for severance pay benefits. Accordingly, a one-time set-up cost of $304,313 to record this liability as at March 31, 2008 is reflected in the current provision. There is no associated receivable from the Province in conjunction with this increased severance liability. Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 17 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Commission.

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severance pay liabilities. This payment will be placed in an interest bearing trust account on March 31, 2009 to be held on the Commission's behalf until the cash is required to discharge the related liabilities. Accordingly, this receivable is classified as current.

For the year ended March 31, 2008

7. DEFERRED LEASE INDUCEMENTS

The organization has received lease inducements in the form of a rent-free period of approximately ten months. The benefits arising from these lease inducements are amortized over the term of the lease on a straight-line basis as reductions of rental expense. Rental expense has been reduced by $6,125 for the period ending March 31, 2008 ($10,500 in 2007). The inducement has now been fully depleted.

8. COMMITMENTS

The organization has an operating lease for its premises expiring in 2016.

The minimum annual lease payment for the next five years is:

2009	259,297
2010	266,076
2011	272,855
2012	281,329
2013	291,497

9. ECONOMIC DEPENDENCE

A substantial portion of the organization's total revenue is derived from Manitoba Lotteries Corporation in the form of registration fees. The Manitoba Lotteries Corporation is related to the Commission through common ownership by the Province of Manitoba. The registration fees are recorded at the amount prescribed by MGCC regulation.

10. PENSION PLANS

Effective April 1, 2005, all employees are members of the Province of Manitoba's defined benefit Superannuation Fund ("the Fund").

In accordance with the provisions of the Civil Service Superannuation Act (Act), employees of the Commission are eligible for pension benefits. Plan members are required to contribute to the Fund at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Commission is required to match contributions contributed to the Fund by the employees at prescribed rates, which is recorded as an operating expense. Under this Act, the Commission has no further pension liability.

For employees whose annual earnings exceed the limit under the Fund, a pension liability is established. Based on the triennial actuarial report of pension obligations as at March 31, 2008, a reserve of $45,401 has been established as a pension liability for these employees. Actuarial gains and losses are recognized in income immediately. The Commission's portion of contributions to the Fund is recognized as an operating expense in the period of contribution. Total contributions for the year are $165,865. Contributions for the 2007 year were $156,027.

11. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

BOARD OF COMMISSIONERS 2007/08

Darlene Dziewit
Chairperson
Lorette

John Collins
Vice-chairperson
Winnipeg

Shelly Blanco
Commissioner
Selkirk

Lucille Cenerini
Commissioner
St. Boniface

Joseph Stadnyk
Commissioner
Brandon

Additional copies of this report may be obtained from:

Manitoba Gaming Control Commission
200-215 Garry Street
Winnipeg MB R3C 3P3

T: 204-954-9400, or toll free in Manitoba 1-800-782-0363
F: 204-954-9450, or toll free in Manitoba 1-866-999-6688
E: information@mgcc.mb.ca
W: www.mgcc.mb.ca

Manitoba Gaming
Control Commission

This report is also available on the Manitoba Gaming Control Commission's website at www.mgcc.mb.ca.
La version française de ce rapport annuel est disponible au site Web de la Commission de régie du jeu du Manitoba au www.mgcc.mb.ca.